

(vi) Any options the borrower may have for deferral, cancellation, prepayment, consolidation, or other refinancing of the loan;

(vii) A definition of default on the loan and a specification of the consequences which will result to the borrower if the borrower defaults, including a description of any arrangements which may be made with credit bureau organizations;

(viii) To the extent practicable, the effect of accepting the loan on the eligibility of the borrower for other forms of student assistance; and

(ix) A description of the actions that may be taken by the Federal Government to collect the loan, including a description of the type of information concerning the borrower that the Federal Government may disclose to:

(A) Officers, employees, or agents of the Department of Health and Human Services,

(B) Officers, employees, or agents of schools with which the Secretary has an agreement under this subpart, or

(C) Any other person involved in the collection of a loan under this subpart.

(2) For any loan made after June 30, 1986, the school shall, prior to the borrower's completion or termination of studies at the school, provide the following loan information to the student:

(i) Each amount borrowed by the student under this subpart;

(ii) The total amount borrowed by the student under this subpart; and

(iii) A schedule for the repayment of the amounts borrowed under this subpart, including the number, amount, and frequency of payments to be made.

(3) In addition to the requirements set forth in paragraphs (c)(1) and (c)(2) of this section, the school must comply with the applicable requirements of Truth in Lending Regulation Z (12 CFR part 226).

(Approved by the Office of Management and Budget under control number 0915-0047)

[44 FR 29055, May 18, 1979, as amended at 48 FR 25069, June 3, 1983; 50 FR 34420, Aug. 23, 1985; 52 FR 20987, June 3, 1987; 56 FR 19293, Apr. 26, 1991; 57 FR 45734, Oct. 5, 1992]

**§ 57.209 Payment of health professions student loans.**

(a) Health professions student loans from any fund may be paid to or on behalf of student borrowers in installments considered appropriate by the school except that a school may not pay to or on behalf of any borrower more during any given installment period (e.g., semester, term, or quarter) than the school determines the student needs for that period.

(b) No payment may be made from a fund to or on behalf of any student borrower if at the time of the payment the borrower is not a full-time student.

**§ 57.210 Repayment and collection of health professions student loans.**

(a) Each health professions student loan, including accrued interests, will be repayable in equal or graduated periodic installments in amounts calculated on the basis of a 10-year repayment period. Except as otherwise provided in this paragraph, repayment of a loan must begin one year after the student ceases to be a full-time student.

(1) If a borrower reenters the same or another school as a full-time student within the 1-year period, the date upon which interest will accrue and the repayment period will begin will be determined by the date on which the student last ceases to be a full-time student at that school.

(2) The following periods will be excluded from the 10-year repayment period:

(i) All periods for up to a total of 3 years of active duty performed by the borrower as a member of the Army, Navy, Air Force, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration Corps or the U.S. Public Health Service Corps;

(ii) All periods for up to a total of 3 years of service as a volunteer under the Peace Corps Act;

(iii) All periods of advanced professional training including internships and residencies, except as specified in paragraph (a)(2)(vi) of this section;

(iv) All periods during which the borrower is pursuing a full-time course of study at an eligible health professions school;

(v) A period not in excess of 2 years during which a borrower who is a full-

time student in a health professions school leaves the school, with the intent to return to such school as a full-time student, to engage in a full-time educational activity which is directly related to the health profession for which the individual is preparing. To qualify for such deferment, the full-time educational activity must be one which:

(A) Is part of a joint-degree program or a formal program of joint study in conjunction with the health profession for which the borrower is preparing at the school; or

(B) Is an activity which will enhance the borrower's knowledge and skills in the health profession for which the borrower is preparing at the school, as determined by the school.

The borrower must request such deferment from the school in which he or she is enrolled no later than 60 days prior to leaving such school to engage in the full-time educational activity. The school must then determine, no later than 30 days prior to the borrower's leaving such school, whether the borrower qualifies for such deferment. A borrower who qualifies for this type of deferment receives the grace period upon completion or termination of his or her studies leading to the first professional degree in the health discipline being pursued. If the borrower fails to return to school, the school retroactively must begin the borrower's grace period based on the date the borrower terminated his or her studies at the school, and must begin the repayment period immediately following the end of the grace period; and

(vi) A period not in excess of 2 years during which a borrower who is a graduate of a health professions school participates in:

(A) A fellowship training program which is directly related to the health profession for which the borrower prepared at the school, as determined by the school from which the borrower received his or her loan, and is engaged in by the borrower no later than 12 months after the completion of the borrower's participation in advanced professional training as described in paragraph (a)(2)(iii) of this section, or prior to the completion of such bor-

rower's participation in such training. To qualify for such deferment, the fellowship training program must be one which:

(1) Is a full-time activity in research or research training or in health care policy; and

(2) Is a formally established fellowship program which was not created for a specific individual; or

(B) A full-time educational activity which is directly related to the health profession for which the borrower prepared at the school, as determined by the school from which the borrower received his or her loan, and is engaged in by the borrower no later than 12 months after the completion of the borrower's participation in advanced professional training as described in paragraph (a)(2)(iii) of this section, or prior to the completion of the borrower's participation in such training. To qualify for such deferment, the full-time educational activity must be one which:

(1) Is part of a joint-degree program in conjunction with the health profession for which the borrower prepared at the school; or

(2) Is required for licensure, registration, or certification in the health profession for which the borrower received the HPSL loan; or

(3) Is a full-time educational program in public health, health administration, or a health care discipline directly related to the health profession for which the borrower received the loan.

(3) To receive a deferment, a borrower must, no later than 30 days prior to the onset of the activity (or no later than 30 days prior to the due date of the first payment if the borrower begins the activity during the grace period), and annually thereafter, provide the lending school with evidence of his or her status in the deferrable activity, and evidence that verifies deferment eligibility of the activity. This evidence must include certification by the Program Director or other authorized official that the borrower's activity meets the deferment requirements. The borrower must also notify the school upon completion or termination of the activity. It is the responsibility of the borrower to provide the lending school

with all required information or other information regarding the requested deferment. The school may deny a request for deferment if it is not filed in accordance with the requirements of this section.

(4) Subject to the provisions of paragraph (b)(3) of this section, a borrower must establish a repayment schedule with the school providing for payments not less often than quarterly. Any borrower whose repayment is delinquent more than 60 days must establish a monthly repayment schedule with the school. However, a borrower may at his or her option and without penalty, prepay all or part of the principal and accrued interest at any time.

(5) A school may grant forbearance whenever extraordinary circumstances such as unemployment, poor health or other personal problems temporarily affect the borrower's ability to make scheduled loan repayments.

(b)(1) Each school at which a fund is established must exercise due diligence in the collection of health professions student loans due the fund. In the exercise of due diligence, a school must follow procedures which are at least as extensive and effective as those used in the collection of other student loan accounts due the school, and must use the steps outlined below in accordance with collection practices which are generally accepted among institutions of higher education:

(i) Conduct and document an entrance interview (individually or in groups) with the borrower prior to disbursing HPSL funds in an academic year. During the entrance interview the school must obtain documentation which indicates that the borrower is aware of the rights and responsibilities associated with HPSL funds and personal information which would assist in locating the borrower if he or she fails to keep the school informed of his or her current address. The requirements of this subparagraph may be met by correspondence, if the school determines that a face-to-face meeting (individually or in groups) is impracticable.

(ii) Conduct and document an exit interview (individually or in groups) with the borrower. During the exit interview, the school must provide

each borrower with information necessary to carry out the terms of repayment, remind the borrower of the rights and responsibilities associated with HPSL funds, and update the personal information collected prior to disbursing HPSL funds which would assist in locating the borrower if he or she fails to keep the school informed of his or her current address. If the borrower terminates studies without advance notice, the school must document attempts to inform the borrower of the substance of the exit interview and to secure exit interview information from the borrower by mail.

(iii) Notify the borrower in writing of the impending repayment obligation at least twice during the grace period;

(iv) Notify a borrower who is in deferment status in writing of the impending repayment obligation 1 to 3 months prior to the expiration of the approved period of deferment;

(v) Perform regular billing;

(vi) Follow up past due payments with a series of at least four documented and reasonably spaced attempts to contact the borrower, at least three of which must be in writing at not more than 30-day intervals, prior to the loan becoming 120 days past due, provided that the school has a current address for the borrower;

(vii) Perform address searches when necessary;

(viii) Use collection agents, which may include the use of an internal collection agent;

(ix) Institute legal proceedings against borrowers after all other attempts at collection have failed, unless the school determines, subject to the approval of the Secretary, that such litigation would not be cost-effective; and

(x) Become a member of a credit bureau and notify the credit bureau of accounts past due by more than 120 days.

In place of one or more of the procedures outlined above schools may substitute collection techniques that are equally or more effective, but only after they have demonstrated the effectiveness of the techniques and obtained written approval from the Secretary.

(2) *Late charge.* (i) For any health professions student loan made after June 30, 1969, but prior to October 22,

1985, the school may fix a charge for failure of the borrower to pay all or any part of an installment when it is due and, in the case of a borrower who is entitled to deferment under section 722(c) of the Act for any failure to file timely and satisfactory evidence of the entitlement. The amount of the charge may not exceed \$1 for the first month or part of a month by which the installment or evidence is late and \$2 for each succeeding month or part of a month. The school may elect to add the amount of this charge to the principal amount of the loan as of the day after the day on which the installment or evidence was due, or to make the amount of the charge payable to the school no later than the due date of the next installment following receipt of the notice of the charge by the borrower.

(ii) For any health professions student loan made on or after October 22, 1985, the school shall assess a charge for failure of the borrower to pay all or any part of an installment when the loan is more than 60 days past due and, in the case of a borrower who is entitled to deferment under section 722(c) of the Act, for any failure to file satisfactory evidence of the entitlement within 60 days of the date payment would otherwise be due. No charge may be made if the loan is less than 61 days past due. The amount of this charge may not exceed an amount equal to 6 percent of the amount due at the time the charge is calculated. The school may elect to add the amount of this charge to the principal amount of the loan as of the day on which the charge is calculated, or to make the amount of the charge payable to the school no later than the due date of the next installment following receipt of the notice of the charge by the borrower.

(3) With respect to any health professions student loan made after June 30, 1969, the school may require the borrower to make payments of at least \$15 per month on all outstanding health professions student loans during the repayment period.

(4) A school must, on an annual basis, review and assess the collectibility of any loan more than 3 years past due. If the school determines that the prospects of future collection are promising

enough to justify periodic review of the debt, and neither the statute of limitations nor the 10-year repayment period has expired, the school may retain the account for continued collections, provided that it makes an attempt at least semi-annually to collect from the borrower. When the due diligence procedures required by paragraph (b)(1) of this section have been exhausted, the school is responsible for determining the collection methods it will use for the semi-annual collection effort required on these loans. If the school determines that the prospects of future collection are not promising, or when the statute of limitations or the 10-year repayment period has expired, the loan must be considered uncollectible. A school may determine a loan to be uncollectible sooner than 3 years past due when it has evidence that the loan cannot be collected, but in no case should a school consider a loan as uncollectible if it has not been in default for a least 120 days. A school is not subject to the requirements in paragraphs (b)(4) (i) and (iii) of this section for loans that became uncollectible, as determined by the school, before August 1, 1985.

(i) A school must request permission to write off an uncollectible loan within 30 days of the determination that it is uncollectible or reimburse the fund in the full amount of the loan, pursuant to § 57.210(b)(4)(iii). The 30-day period for submitting the loan for write-off review begins on the date that the determination of uncollectibility is made, in accordance with paragraph (b)(4) of this section. In any instance where the Secretary determines that a school has failed to exercise due diligence in the collection of a loan, in accordance with the applicable regulatory requirements, the school will be required to place in the fund the full amount of principal, interest, and penalty charges that remains uncollected on the loan. Reimbursement must be made by the following June 30 or December 31, whichever is sooner, except that in no case will a school be required to reimburse the fund in less than 30 days following the Secretary's disapproval of the request for write-off approval.

(ii) If the Secretary determines that a school has exercised due diligence in the collection of a loan, in accordance with the applicable regulatory requirements, or if the school determines that the loan was uncollectible prior to August 1, 1985, the school will be permitted to reduce its accounts receivable for the HPSL fund by the full amount of principal, interest, and penalty charges that remains uncollected on that loan and will not be required to return the Federal share of the loss to the Secretary.

(iii) If a school does not request permission to write off an uncollectible loan within the required timeframe, it must reimburse the fund for the full amount of principal, interest, and penalty charges that remains uncollected on that loan. This reimbursement must be made by the following June 30 or December 31, whichever is sooner, except that in no case will a school be required to reimburse the fund in less than 30 days following its determination that a loan is uncollectible.

(iv) Failure to comply with the requirement of this section will subject a school to the noncompliance provisions of § 57.218 and the Department's Claims Collection regulations (45 CFR part 30), as appropriate.

(5) *Disclosure of taxpayer identity information.* Upon written request by the Secretary, the Secretary of the Internal Revenue Service (IRS) may disclose the address of any taxpayer who has defaulted on a health professions student loan, for use only by officers, employees, or agents of the Department, to locate the defaulted borrower to collect the loan. Any such mailing address may be disclosed by the Secretary to any school from which the defaulted borrower received a health professions student loan, for use only by officers, employees, or agents of the school whose duties relate to the collection of health professions student loan funds, to locate the defaulted borrower to collect the loan. Any school which requests and obtains this address information must comply with the requirements of the Secretary and the IRS re-

garding the safeguarding and proper handling of this information.

(Approved by the Office of Management and Budget under control number 0915–0047)

[44 FR 29055, May 18, 1979, as amended at 48 FR 25069, June 3, 1983; 49 FR 38112, Sept. 27, 1984; 50 FR 34420, Aug. 23, 1985; 52 FR 20988, June 3, 1987; 53 FR 6092, Feb. 29, 1988; 56 FR 19293, Apr. 26, 1991; 56 FR 40726, Aug. 15, 1991; 57 FR 45734, Oct. 5, 1992; 61 FR 6123, Feb. 16, 1996]

**§ 57.211 Cancellation of health professions students loans for disability or death.**

(a) *Permanent and total disability.* The Secretary will cancel a student borrower's indebtedness in accordance with section 722(d) of the Act if the borrower is found to be permanently and totally disabled on recommendation of the school and as supported by whatever medical certification the Secretary may require. A borrower is totally and permanently disabled if he or she is unable to engage in any substantial gainful activity because of a medically determinable impairment, which the Secretary expects to continue for a long time or to result in death.

(b) *Death.* The Secretary will cancel a student borrower's indebtedness in accordance with section 722(d) of the Act upon the death of the borrower. The school to which the borrower was indebted must secure a certification of death or whatever official proof is conclusive under State law.

(Approved by the Office of Management and Budget under control number 0915–0047)

[44 FR 29055, May 18, 1979, as amended at 56 FR 19293, Apr. 26, 1991; 61 FR 6123, Feb. 16, 1996]

**§ 57.212 [Reserved]**

**§ 57.213 Continuation of provisions for cancellation of loans made prior to November 18, 1971.**

Individuals who received health professions student loans as students of medicine, osteopathic medicine, dentistry or optometry prior to November 18, 1971, may still receive cancellation of these loans for practicing in a shortage area or for practicing in a rural shortage area characterized by low family income. The regulations set